

**Electronically Recorded**

Official Public Records

**Tarrant County Texas**

12/23/2010 12:16 PM

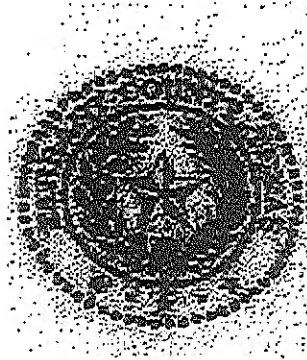
**D210317084**



Suzanne Henderson

PGS 6 \$36.00

Submitter: ACS



DALE PROPERTY SERVICES, LLC  
ATTN: RECORDING TEAM  
500 TAYLOR ST. STE 600  
FORT WORTH, TEXAS 76102

Submitter: DALE PROPERTY SERVICES, LLC

---

**SUZANNE HENDERSON  
TARRANT COUNTY CLERK  
TARRANT COUNTY COURTHOUSE  
100 WEST WEATHERFORD  
FORT WORTH, TX 76196-0401**

**DO NOT DESTROY**

**WARNING – THIS IS PART OF THE OFFICIAL RECORD**

**ELECTRONICALLY RECORDED  
BY ERXCHANGE**

**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.**

Producers 88 (4-89) — Paid Up  
With 640 Acres Pooling Provision

**PAID UP OIL AND GAS LEASE  
(No Surface Use)**

Electronically Recorded  
Chesapeake Operating, Inc.

THIS LEASE AGREEMENT is made this 21<sup>st</sup> day of December, 2010, by and between N.L. Jordan, herein dealing in his sole and separate property, whose address is 136 S. Norwood Dr., Hurst, TX 76053, as Lessor, and CHESAPEAKE EXPLORATION, L.L.C., an Oklahoma limited liability company, whose address is P.O. Box 18496, Oklahoma City, Oklahoma 73154-0496, as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

9.607 ACRES OF LAND, MORE OR LESS, BEING A TRACT OF LAND OUT OF THE GULAVER WILSON SURVEY, ABSTRACT 1626, SITUATED IN TARRANT COUNTY, TEXAS MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS IN THAT CERTAIN DEED DATED DECEMBER 3rd, 2004, BY AND BETWEEN KELLY-MOORE PAINT COMPANY, INC., A CALIFORNIA CORPORATION, AS GRANTOR, AND N.L. JORDAN, AS GRANTEE, RECORDED AS INSTRUMENT # D205331750 OF THE DEED RECORDS OF TARRANT COUNTY, TEXAS;

in the County of Tarrant, State of TEXAS, containing 9.607 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of THREE(3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be TWENTY-FIVE PERCENT (25%) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be TWENTY-FIVE PERCENT (25%) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of either producing oil or gas or other substances covered hereby in paying quantities or such wells are waiting on hydraulic fracture stimulation, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut-in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in at lessor's address above or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

5. Except as provided for in Paragraph 3. above, if Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder.

and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

14. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a perpetual subsurface well bore easement under and through the leased premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface well bore easements shall run with the land and survive any termination of this lease.

15. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

16. Notwithstanding anything contained to the contrary in this lease, Lessee shall not have any rights to use the surface of the leased premises for drilling or other operations.

17. This lease may be executed in counterparts, each of which is deemed an original and all of which only constitute one original.

SEE EXHIBIT "A" ATTACHED HERETO AND BY REFERENCE MADE A PART HEREOF

**DISCLAIMER OF REPRESENTATIONS:** Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners.

**IN WITNESS WHEREOF,** this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

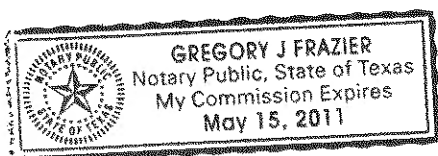
LESSOR (WHETHER ONE OR MORE)

*N.L. Jordan*  
BY: N.L. JORDAN

#### ACKNOWLEDGMENT

STATE OF TEXAS  
COUNTY OF TARRANT

This instrument was acknowledged before me on the 21<sup>st</sup> day of December, 2010, by N.L. Jordan.



Notary Public, State of Texas  
Notary's name (printed):  
Notary's commission expires:

## Exhibit "A"

Attached to and made a part of that certain Oil and Gas Lease dated the 21<sup>st</sup> of December, 2010 by and between N.L. Jordan, as Lessor, and Chesapeake Exploration, L.L.C., as Lessee ("Lease"), to wit:

18. **EXHIBIT CONTROLS.** In the event of a conflict between the terms of this Exhibit and the other terms of the oil and gas lease, the terms of this Exhibit shall control.

19. **SURFACE USE.** Lessee is prohibited from using the surface of the leased premises for any purpose, including but not limited to seismic operations or gathering lines, but Lessee may engage in directional drilling activities beneath the leased premises that are conducted from surface locations on other land. A directional well drilled under this provision shall be considered to be located on the Land.

20. **POOLING DESIGNATIONS.** Upon written request, Lessee shall provide Lessor with a recorded copy of all recorded pooling designations filed with the County Clerk regarding the leased premises.

21. **ROYALTY.** . A) As to all oil and gas sold by Lessee to an unaffiliated entity, the royalties payable to Lessor for oil and gas, including casinghead gas or other gaseous substances produced and saved from the leased premises and sold on or off the leased premises, shall be one-fourth (1/4th) of the net proceeds realized by Lessee from the sale thereof. Upon request, Lessee shall make available for Lessor's review a copy of any gas contract entered into between Lessee and such unaffiliated entity for oil and gas sold from the leased premises, and Lessor shall not disclose the terms of such contract to any party without the prior written consent of Lessee. It is agreed between the Lessor and Lessee that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform the product into marketable form; however, any such costs incurred on an unaffiliated interstate or intrastate gas pipeline which result in enhancing the value of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements.

(B) Where an entity affiliated with Lessee is the purchaser of the oil or gas, including casinghead gas or other gaseous substances produced and saved from the leased premises and sold on or off the leased premises, the royalties payable to Lessor shall be one-fourth (1/4th) of the net proceeds received by Lessee from such affiliated entity provided, however, the value of Lessor's royalty oil or gas shall be not less than an amount determined through the use of market value index prices for the month of production as set forth in Published Indices. For purposes of this lease, "Published Indices" must be industry recognized published price references, unaffiliated with Lessee, which reflect the market value for oil and natural gas produced in Tarrant County, Texas. Examples of such publications include Natural Gas Week, Inside F.E.R.C.'s Gas Market Report and Natural Gas Intelligence Gas Price Index and other current or future publication satisfying the Published Indices criteria. The parties may mutually agree to base the value of Lessor's royalty oil or gas on one specific index or an average of two or more indices. The Published Indices relied upon to determine the value of Lessor's oil or gas may be changed from time to time in order to always reflect the market value for the oil and gas produced from the leased premises. Upon request, Lessee shall advise Lessor of the Published Indices being used to determine Lessor's royalty.

22. **SHUT-IN ROYALTY.** If at the expiration of the primary term, there is a gas well on this Lease or on acreage pooled therewith capable of producing gas in paying quantities, but gas is not being sold, Lessee shall pay or tender in advance an annual shut-in royalty of \$100.00 per acre that is included in a pooled unit including land covered by the Lease and is shut-in. Payment with respect to a shut-in well will be due within 90 days after the well is shut-in. While shut-in royalty payments are timely and properly paid, this Lease will be held as a producing lease. The right of Lessee to maintain this Lease in force by payment of shut-in gas royalty is limited to the period of 2 (two) consecutive years or 4 (four) years in the aggregate. The obligation of Lessee to pay shut-in royalty is a condition and not a covenant. The payment or tender of royalty under this paragraph may be made by the check of Lessee mailed or delivered to the parties entitled thereto on or before the due date.

23. **POOLING.** The acreage in a pooled unit may not exceed 40 acres for oil, and 320 acres, plus a tolerance of 10% for gas.

24. **LAPSE OF THE LEASE.** At the time of the lapse of this Lease by any of its terms or provisions, Lessee agrees to promptly execute and deliver to Lessor, or file for record in the public land records office of the county and state where this property lies, a written release and surrender of this lease save and except that portion maintained by virtue of any provision of this Lease.

25. **INSURANCE REQUIREMENTS.** (A) All policies shall be written on an occurrence basis except for Environmental Pollution Liability (Seepage and Pollution coverage) and excess or umbrella liability, which may be made on a claims made basis. Lessee shall be responsible for the deductibles on insurance policies maintained by Lessee. Lessee's insurance required herein must include premises, operations, blowout or explosion, products, completed operations, sudden and accidental pollution, blanket contractual liability, underground resources damage, broad form property damage, independent contractor's protective liability, and personal injury. This coverage shall be in a minimum combined single limit of \$1,000,000.00 per occurrence for bodily injury and property damage.

Additionally Lessee must provide Lessor evidence of \$5,000,000.00 of excess or umbrella liability coverage. Such insurance requirements shall be met by a combination of self-insurance, primary and excess insurance properties.

(B) Lessee's policy or policies should cover the cost of controlling a well that is out of control, redrilling or restoration expenses, seepage and pollution damage as first party recovery for the Lessee and related expenses, including, but not limited to, loss of equipment, experts and evacuation of residents, and shall provide the following limits:

\$5,000,000.00	Per occurrence/no aggregate, if reasonably available, otherwise an aggregate of five (5) million dollars.
\$500,000.00	Sub limit endorsement may be added for damage to property for which the Lessee has care, custody, and control.

26. **INDEMNITY.** (A) Lessee agrees to indemnify and hold harmless Lessor, and Lessor's representatives, successors, and assigns against all expenses, claims, demands, liabilities, and causes of action of any nature for injury to or death of persons and loss or damage to property, including, without limitation, reasonable attorney fees, expert fees, and court costs, caused by Lessee's operations on the land or Lessee's marketing of production from the land or any violation of any environmental requirements by lessee. As used in this paragraph, the term "Lessee" includes Lessee, its agents, employees, servants, contractors, and any other person acting under its direction and control. Lessee's indemnity obligations survive the termination of this lease.

(B) Lessee assumes full responsibility and liability between the parties hereto for any pollution caused by Lessee's operations and agrees to promptly remedy and clean up any such pollution at Lessee's sole expense, and to hold Lessor harmless from all claims for damages caused by such pollution. Lessee agrees to defend, at Lessee's expense, any such suit brought against Lessor on account of such claims, and to pay any judgment against Lessor resulting from any such suit.

27. **COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS.** Lessee, its successors and assigns, by its acceptance of this lease, hereby agrees to comply with all applicable laws, rules, and regulations and hereby assumes full responsibility for, and agrees to indemnify, defend, and hold harmless, Lessor from and against any loss, liability, claim, fine, expense cost (including reasonable attorneys fees and expenses), and cause of action caused by or arising out of the violation (or defense of the alleged violation) of any federal, state, or local laws, rules or regulations applicable to any waste material, drilling matter fluid, or any hazardous substances released or caused to be released by Lessee or Lessee's agents from the land leased hereunder into the atmosphere or into or upon the land or any water course or body of water, including ground water. Additionally, upon receiving any notice regarding any environmental, pollution, or contamination problem or violation of any law, rule, or regulation, Lessee will forward a copy to Lessor by certified mail within thirty (30) days. If Lessee fails to deliver such notice complying with the requirements of this section, then Lessee shall pay Lessor an amount equal to Five Dollars (\$100.00) per day for the Leased Premises that is affected by the environmental, pollution, or any other contamination problem, beginning with the date in which the Lessee receives notice regarding such problem and ending with the date in which the Lessor becomes noticed of such problem. This provision and its indemnities shall survive the termination of this Lease, and shall enure to the successors, heirs, and assigns of Lessor and Lessee.

28. **MINERALS COVERED.** This Lease covers only oil and gas. The term "oil and gas" means oil, gas, and other liquid and gaseous hydrocarbons produced through a well bore.

29. **NO WARRANTIES.** Lessor makes no warranty of any kind with respect to title to the Land. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Land, and Lessee assumes all risk of title failures. If Lessor owns an interest in the Land less than the entire fee simple estate, then the royalties payable hereunder will be reduced proportionately. Lessee, at its option, may discharge any tax, mortgage, or other lien on the Land, and in the event Lessee does so, Lessee will have the option of applying the royalties accruing to Lessor toward payment of it.

30. **ATTORNEY'S FEES.** In the event that the Lessor is required to employ legal counsel for the enforcement of any provision of this Lease and prevails, Lessor will be entitled to recover from Lessee reasonable attorney's fees, court costs, and related expenses incurred by Lessor.

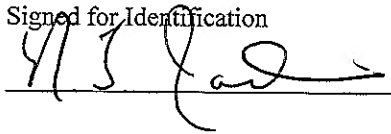
31. **DISPUTE RESOLUTION.** In the event of a dispute under this Lease, the parties agree to attempt to resolve the dispute through good faith mediation to be held Tarrant County, Texas, within a reasonable time after the dispute becomes known. The duty of mediation will not prevent a party from filing a legal proceeding either before or after the mediation.

32. **ADDITIONAL ACREAGE.** This Lease also covers and includes all land owned or claimed by Lessor adjacent or contiguous to the Land, whether the same be in said survey or surveys or in adjacent surveys, although not included within the boundaries of the leased premises. If any additional acreage is included in this Lease pursuant to the foregoing sentence, then bonus shall be calculated and paid as to said additional acreage on the same

terms as it is calculated and paid for the leased premises, and this Lease shall be deemed to include all said additional acreage. Lessor must send written notice to Lessee of any discrepancies in acreage. If a determination is made wherein a discrepancy exists, Lessee shall have 30 days to forward any addition bonus amount owed.

33. **OPERATIONS.** If, at the expiration of the Primary Term, oil or gas is not being produced from the Land or on acreage pooled therewith, but Lessee has commenced the actual drilling of a well in a unit including the Land, the Lease will not terminate but will remain in effect for so long thereafter as operations are carried out with due diligence with no cessation of more than 60 days, and if the operations result in the production of oil or gas, the Lease shall remain in force as otherwise provided herein. For the purposes of this Lease, (i) the term "operations" means operations for any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back, or repairing of a well in search for or in the endeavor to obtain production of oil or gas, and (b) the term "commencement of actual drilling," and similar terms, means the penetration of the surface with a drilling rig capable of drilling to the anticipated total depth of the well and the total length of any horizontal component of the well.

Signed for Identification



---